

Message Text

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13

ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 USIA-15 IO-14

PA-04 PRS-01 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 DRC-01 /234 W

----- 016803

R 220600Z AUG 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8341

INFO USINT ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LIBERVILLE

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

C O N F I D E N T I A L JIDDA 4875

BEIRUT PASS BAGHDAD

E.O.: 11652: GDS

TAGS: EINV, ENRG, OPEC, SA

SUBJ: FOREIGN DIRECT INVESTMENT: SAG'S VIEWS

REF : STATE 178868

BEGIN SUMMARY: THE SAG WOULD APPLAUD AND PROBABLY EXPECT

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U.S. TO FURTHER OPEN ITS MARKETS FOR U.S. DIRECT INVEST-

MENT BUT IS FULLY AWARE OF DEBATE ABOUT ARAB OIL COUNTRIES
INTRUDING INTO U.S. MARKETS AND POSSIBLY MANIPULATING
STOCKS FOR ECONOMIC OR POLITICAL BENEFIT. ANY ATTEMPT TO
IMPOSE STRAIGHT-OUT RESTRICTIONS WOULD BE IMMEDIATE
CAUSE FOR REEVALUATION OF U.S. AS PARTNER IN DEVELOPMENT
AND PARTICULARLY AS PARTNER IN SOLVING WORLD' ENERGY
PROBLEMS. END SUMMARY

1. WE HAVE NOT CHOSEN TO DISCUSS, EVEN DISCREETLY, POS-
SIBLE U.S. DIRECT INVESTMENT POLICY CHANGES WITH ANY SAG
DECISION-MAKER SINCE SAG INVESTMENT IN U.S. WAS TOUCHED
ON DURING SECRETARY SIMON'S VISIT AND ENCOURAGEMENT FOR
SOME DIRECT INVESTMENT WAS GIVEN, INFORMALLY AT LEAST.
THE SAG EXPECTS TO BE ABLE TO MAKE MORE INVESTMENTS IN
STOCKS AND BONDS IN THE PRIVATE SECTOR BUT SO FAR HAS
REMAINED UNINTERESTED IN ALMOST ALL FOREIGN INDUSTRIAL
INVESTMENTS. THIS POLICY IS EXPECTED TO CHANGE, BUT THE
SAG IS NOT EXPECTED TO EITHER SEEK OR DESIRE MAJORITY
OWNERSHIP IN ANY MAJOR U.S. BUSINESS, IN THE FORESEEABLE
FUTURE.

2. NEVERTHELESS, THE SAG DECISION-MAKERS ARE WELL AWARE
OF THE RECENT SPATE OF STORIES IN THE MEDIA AND STATE-
MENTS BY CONGRESSMEN CONCERNING THE DANGERS OF ARAB MONEY
TAKING OVER, AMONG OTHERS, GENERAL MOTORS. THEY ARE
NATURALLY SENSITIVE TO SUCH CHARGES AND IN GENERAL WOULD
RATHER TAKE THEIR MONEY HOME THAN BE SUBJECTED TO SUCH
CALUMNY. STRAIGHT-OUT RESTRICTIONS WOULD BE INTERPRETED
AS AN UNFRIENDLY ACT.

3. OFFICIAL USG CHANGES IN POLICY TO ENCOURAGE FOREIGN
INVESTMENT WOULD BE QUIETLY NOTED AND APPLAUDED. THE SAG
WOULD SEE THESE CHANGES AS DESERVED AND EXPECTED IN VIEW
OF THE NEW U.S./SAUDI RELATIONSHIP AND WOULD ACCELERATE
THE RATE OF INVESTMENT IN THE US. SAUDIS, HOWEVER, WOULD
NATURALLY LIKE TO AVOID TAXES ON PROFITS SO LONG AS
THEY ARE REINVESTED IN AMERICAN INDUSTRY.

4. THE SAG WOULD PROBABLY BE UNDERSTANDING OF NEW
GROUND RULES AIMED AT CONTROLLING OR GIVING USG INFORM-
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ATION ON RATE OF SUCH INVESTMENTS. SAUDI MIGHT WELCOME
SOME NEW INSTITUTIONS SUCH AS A SPECIAL MUTUAL TRUST
FUND TO PERMIT FOREIGN GOVERNMENTS AN INSULATED WAY OF
ENTERING THE U.S. MAKRET.

5. SHOULD SEVERE RESTRICTIONS BE IMPOSED, ACCOMPANIED
BY ANTI-ARAB PROPAGANDA IN THE MEDIA AND ON THE HILL,
THE SAG DECISION-MAKERS WOULD LIKELY REASSESS THEIR

NEED TO CONTINUE TO INCREASE OIL PRODUCTION, AND ANY
INVESTMENTS IN U.S. GOVERNMENT SECURITIES WOULD CEASE.
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